

Dear UK Senate Council,

The following remarks are prepared in the context of the University of Kentucky's partnership with the Charles Koch Foundation and the John H. Schnatter Family Foundation in the creation and fortification of the Institute for the Study of Free Enterprise (ISFE).

Though we have often found that these agreements are accompanied by a characteristic lack of respect for faculty governance, we applaud what appears to be a rigorous process of review at the University of Kentucky, and hope that the following materials will be taken into consideration.

UnKoch My Campus is a network of students, faculty, and alumni dedicated to the preservation of academic freedom and faculty governance in the presence of highly political donors. The following observations regarding the academic programming and political activity of the Charles Koch Foundation are made purely on these grounds.

From among the letters of support for the Institute submitted from UK faculty, Dr. Walter Ferrier's [letter](#) suggested three critical concerns regarding a donor created center that should be the basis by which Koch/Schnatter Institute should be considered. Though I've changed the order, Ferrier suggested:

- **Transparency:** All agreements, contracts and dialog, expectations and caveats, the exchange and uses of funds, etc. related to the Institute shall be readily available to the public and open to observation and scrutiny.
- **Faculty Oversight:** The strategic, operational, and (most importantly) scholarly programs and activities of the Institute shall be developed, governed, monitored, and evaluated by qualified College faculty. This includes, but is not limited to, Institute staffing, research, curriculum, budgets, and evaluation.
- **Political Interference:** The political beliefs and practices of the parties involved notwithstanding, the Institute shall be in full compliance with and operate under the mantle of academic freedom, in both spirit and letter.

Our research, assembled for UK faculty specifically, demonstrates unambiguously that the aims of the Charles Koch Foundation *are specifically to*: subvert university transparency, leverage donor control over the programming, and utilize the academic programming for political purposes.

The sources cited in these remarks include the 2015 [CKF/UK agreement](#), the 2015 [JSFF/UK agreement](#), the [ISFE Proposal](#), and remarks made by Charles Koch Foundation officials and Koch funded professors (including Dr. John Garen) at a Koch funded 2016 conference of the Association of Private Enterprise Education (APEE). We also refer to recordings and documents taken from inside Koch's secret bi-annual donor summits.

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Section 1: Donor Secrecy and Control

Contractual Anti-Transparency

The Grant Agreement requires that the university avoid transparency as much as possible, requiring that:

Except as permitted in Section 7, the University **agrees to keep confidential and not to disclose to any third party the existence of or contents of this Agreement without express written approval from the Donor**, subject to the public disclosure requirements of Kentucky's Open Records Act, as amended, and controlling law. If the Foundation or the University is required to disclose the existence of or the content of this Agreement to any third party, the University agrees to provide the Donor at least three (3) days' advance written notice of such disclosure, except as otherwise may be required by law. (UK [Koch Agreement](#), Sec. 8.b, pg 4)

This provision is nearly identical to others we have seen in Koch contracts. Of the hundreds of universities funded by the Charles Koch Foundation, documentation is available for approximately ten universities. A private university does not have to (and under this provision would be obligated not to) "reveal to a third party the existence of" an agreement with the Koch foundation.

At the 2016 APEE conference, Charles Koch Foundation officer Charlie Ruger spoke on a panel entitled "[Establishing a Successful Academic Center](#)":

Transparency is one thing. The reason that groups like UnKoch My Campus are engaging in abusive open records law is not for the sake of transparency, it's for the sake of intimidation and bullying, and to put academic freedom at risk. So if you're a faculty member and you have an idea, this group's sole purpose is to ensure that you're not allowed to pursue that idea by shutting down.

And so we're all for the idea of transparency, we've got nothing to hide, there's nothing untoward happening. All of our philanthropy is based on faculty governance, academic freedom and donor intent, and those things aren't in conflict.

But every time a bully knocks on the door, we're not just gonna give them what they ask for. They're gonna have to go through this process and reveal themselves for what they are. They're going to file lawsuits and drag these professors into court, as a signal to the next professor who

wants to do something innovative or entrepreneurial. ‘If you do that, we’ll sue you, and all of your emails will become public.’

Our position on that is, no, don’t give them anything they ask for, till they go through that process. It makes them look foolish that they file lawsuits, they hire attorneys, and then they get nothing. Over time, I think they’re gonna learn, this is an overuse of open records laws. But we don’t wanna just give them something for free. What they’re about is not transparency. (Ruger, [Establishing a Successful Academic Center](#), pg 20)

Also on the panel was the director of the Koch/Schnatter program at the University of Louisville, Dr. Steve Gohmann, who followed up directly to Ruger’s remark:

Well, perhaps if you drag ‘em on longer and longer and make them spend more on attorney fees, it then becomes real expensive for them to get something like, like our agreement.

When Charlie Ruger describes how students will “file lawsuits and drag these professors into court,” he is presumably referring to the events at the University of Kansas. Student records requests that would have revealed details of Koch funded academic activity of University of Kansas professor and former Koch lobbyist Art Hall. The records request was blocked by a lawsuit filed Dr. Hall, paid for by Koch Industries ([Topeka Capital Journal](#), September 15 2015).

Contractual Influence

The 2015 [Charles Koch Foundation/UK agreement](#) contains provisions that grant the donor excess control, similar to other provisions seen in Koch’s academic programming Koch/Schnatter. Recent recordings of Koch foundation officials confirm that that this is used intentionally as a mechanism of donor control.

In section 5 of the Koch and Schnatter agreements with UK, the “Proposed Grant Award Schedule” specifies:

The university shall submit an annual written grant request according to the schedule below for Donor’s consideration to provide grant funds and an accounting of the expenditure of any Contributed Amount previously received to the Donor according to the schedule below (the “University Annual Charitable Grant Request”). **The Donor has the right to decline providing funding in response to a University Annual Charitable Grant Request.** ([UK CKF grant agreement](#), Sec 5.a, pg 3) (Emphasis added.)

The Donor has full discretionary power over the use of these funds, not only on an annual basis, but on thirty days notice. In section 8 of the Koch and Schnatter agreements with KU, the agreement confirms:

The Donor has the right to terminate this Agreement and to discontinue or withhold any Contributed Amount. Such termination shall be deemed effective upon the expiration of thirty (30) days from the date notice was provided by the Donor to the University. ([UK CKF grant agreement](#), Sec 8.a, pg 4)

Koch Confirms, it's for Control

Koch foundation officials have confirmed our criticisms that undue influence is granted when donors are allowed to decide annually whether to renew or withhold funding. At the 2016 APEE conference, the University of Kentucky's John Garen and the Koch foundation's Charlie Ruger sat on a panel entitled "Successful Models of Programs in Private Enterprise." The panel was made up of Koch funded academics¹ Ruger clarified:

Everything we do is on an annual basis. So we want our partners to have certainty and be able to do long term programs and stuff. So we'll say 'for the first 3 to 5 years of an investment, we'll commit, formally, 3 or 4 million dollars or whatever it is and we do that with a coalition of stakeholders, a coalition of donors. And here's what the university has said it would like to do with the money. If it does anything else with it, you know, **'best of luck but the next check isn't coming.'** (Ruger, [Successful Models](#))

Koch funded professors on the panel confirmed that this was their understanding. The director of the University of Louisville Koch Center, Dr. Steve Gohmann:

And I don't worry about the university trying to steer the money away because they know that if they take that money, there won't be money coming in the future. So this is the nice thing about getting money annually, is that the university is more beholden to let faculty do what we're what we want to do with the money, which is, the donor also intends us to do, and because that money's not there for them to grab onto and it won't be coming the next year if they mess things up. (Gohmann, [Successful Models](#))

¹ Other panelists were the University of Louisville's Steve Gohmann (director of UL's BB&T, and Koch/Schnatter programs), Clemson University's Bradley Thompson (director of Clemson's BB&T and Koch programs), and Trinity College's Gerald Gunderson.

Section 2: Political Interference

The objectives of the Charles Koch Foundation's academic programming have been revealed multiple times over, beginning from a 1974 speech given by Charles Koch as chairman of the Institute for Humane Studies, where Koch clearly states:

We should cease financing our own destruction and follow the counsel of David Packard, former Deputy Secretary of Defense, by supporting only those programs, departments or schools that “contribute in some way to our individual companies or to the general welfare of our free enterprise system.”

[...]

We must recognize that a direct political approach contains certain inherent dangers. [...] Thus, political activity is less cost-effective than the other approaches, and businessmen should allocate resources accordingly.

The important strategic consideration to keep in mind is that **any program adopted should be highly leveraged so that we reach those whose influence on others produces a multiplier effect**. That is why educational programs are superior to political action, and support of talented free-market scholars is preferable to mass advertizing. The development of a well financed cadre of sound proponents of the free enterprise philosophy is the most critical need facing us at the moment. As the Powell Memorandum points out, “business and the enterprise system are in deep trouble, and the hour is late.” But the system can be restored if business will re-examine itself and undertake radical new efforts to overcome the prevalent anti-capitalist mentality. (Charles Koch, 1974, [Anti-capitalism and Business](#), pg 6-7) (Emphasis added.)

Koch's “Integrated Strategy”: the Structure of Social Change

The Charles Koch Foundation organizes a network of the nation's wealthiest interests, using an explicit model they have developed for privately funding pro-corporate policy change.

The strategy used by the Koch foundation, “[the Structure of Social Change](#),” was developed in the late 1970's by Richard Fink² based on a model of production created by Austrian economist Friedrich Hayek. The model is reimaged so that, instead of the manufacturing and distribution of a product, private donors fund the production and “implementation of policy change.”

The Koch foundation describes this as the process of “transforming ideas into action.”

²Fink was long time Executive Vice President of Koch Industries, CEO of Koch Companies Public Sector (Koch's lobbying arm), President of the Charles Koch Foundation, and co-founder (with Charles Koch) of the Mercatus Center at George Mason University in 1978.

In the three part model, donors first fund an academic to produce research (“intellectual raw materials”), which a think tank then molds into policy recommendations (“usable form”), and finally, corporate funded front groups (“citizen activist groups”) to give the appearance of grassroots support (“astroturf” groups like Americans for Prosperity³).

“Integrated Strategy” and Koch’s Donor Summits

The Charles Koch Foundation and a network of donors fund and coordinate this process twice annually at a secretive “donor summit.” [Leaked recordings](#) from a 2014 donor summit **reveal**

Professors educate thousands of students in the idea of a free society, in courses and outside the classroom (inaudible), and then help those students see the message to fight for freedom. (Kevin Gentry, [session transcript](#), pg 4)

Now, these programs also act as a talent pipeline. [...] Today we work with a network of nearly 5,000 scholars (Gentry, [session transcript](#), pg 5)

Not only does higher education act as a talent pool stream where teachers and professors operate other new programming, but it also -- the students that graduate out of these higher education programs also populate the state-based think tanks and the national think-tanks. Six think tanks are working on freedom initiatives. And then also, they become the major staffing for the state chapters on the grassroots innovation around the country.

So you can see that higher education is not just limited to impact on higher education. Students who aren't interested in becoming professors, but are interested in what we're -- got to be careful how I say this -- more broadly, are very interested and then they, they populate our, our program these think tanks, and grassroots. And as we pointed out, that group of students taught in these centers, that we've been able to produce two million or so grassroots. And they in turn work with the (inaudible) that even talks to (inaudible) talks to (inaudible).

So the network is fully integrated. So it's not just work at the universities with the students, but it's also building state-based capabilities and election capabilities, and integrating this talent pipeline. So you can see how this is useful to each other over time. No one else, and no one else has this infrastructure. We're very excited about doing it.

The Koch foundation uses these summits to fund and coordinate an “integrated strategy” for policy change where the university donations are arranged literally in the room where political donations are arranged. Kevin Gentry continues:

³ Fink has been a long time board member of Americans for Prosperity, co-founding its predecessor, Citizens for a Sound Economy.

And because we're (inaudible) well-being, a lot of our current resources are focused on economic freedom and are focusing on electoral process. We're trying to launch a new institution focusing on experimentation with well-being (inaudible) population. **So I hope that those of you that are excited about the electoral process, you'll invest there. Those of you who are excited about universities, invest there. Those of you who are also excited in terms of investing in these new experiments (inaudible) well-being, I hope you invest there.**

...this network is focused on 32 priority states which the population, the culture of freedom that will not just change the policies of those states, but also have a significant impact on the federal government.

“Integrated Strategy” and APEE

The Charles Koch Foundation’s Charlie Ruger acknowledged this model, and the political purposes of Koch’s academic programming, on same the APEE 2016 panel with UK’s John Garen:

So, when we go to build new academic institutions in partnership with the universities, we’re doing it because **in order to, you know, make a dent we’re gonna need to have a disproportionate impact.**

[...]

it’s not just funding summer salaries or funding for individual research projects, it’s got to do with taking those ideas, taking that research, and bringing them out of the academy. So we want these great ideas of the APEE network to be applied the way we think about it at least, across sort of an integrated structure of production for culture change.

[...]

They can also play an interesting role in engaging with different kinds of stakeholders in these social institutions. That can mean arranging state legislative testimony to make sure that, you know, these kinds of ideas have a seat on the table in public policy.

[...]

And it’s not just the money, we also bring a network with us. So, the Charles Koch Foundation does a lot of funding of universities and higher education institutions over all, but **we’ve got a constellation of network organizations that are focused on applying what comes out of universities to change the world.** And so, that’s sort of the core of the partnership. Money plus the network. (Ruger, [Successful Models](#))

This “constellation of network organizations that are focused on applying what comes out of universities” includes a national network of think tanks, known as the State Policy Network (SPN). The Bluegrass Institute is Kentucky’s SPN member:

Bluegrass Institute works with Kentuckians, grassroots organizations, and business owners to advance freedom and prosperity by promoting free-market capitalism, smaller government, and the defense of personal liberties ([Bluegrass Institute website](#))

Dr. John Garen, is an adjunct scholar at the Bluegrass Institute, and serves as the chair of the [Bluegrass Institute's Board of Scholars](#), which includes the director of the University of Louisville Koch/Schnatter center, Dr. Steve Gohmann. Also, according to his CV, Garen is also affiliated with other SPN organizations, including the Tax Foundation, and the Cato Institute (founded by Charles Koch).

Section 3: The Free Market Agenda of Koch and Schnatter

The Koch foundation's Charlie Ruger (during the APEE 2016 panel) described the motivations of their partner donors:

CKF and our partners put together have committed about 170 million dollars in resources over, let's say, the next 5 or 6 years to these center projects. Only about 40% of that comes from the Charles Koch Foundation. The rest comes from a network of business leaders from across the country who see our system of free enterprise as being in great peril, and they're willing to put all of their resources, their fortunes, on the line, to help that not happen.

Ruger briefly described the Schnatter partnership:

So, in the case of the University of Louisville with John Schnatter, Papa John's is headquartered in Louisville.

[...]

And then University of Kentucky is sort of the same geographical region, **he's got a lot of business interests there, that kind of thing**. (Ruger, [Successful Models](#)) (Emphasis added.)

Schnatter has business interests in the state of Kentucky, as it is the location of Papa John's U.S.A Inc. As a result, Kentucky is also the location of Papa John's legal troubles with labor regulations, including a years long, six state, [class action lawsuit](#) against Papa John's for an elaborate system of wage theft, violating minimum wage laws. Papa John's settled out of court for \$12.3 million in 2015.

Schnatter was an attendee of Koch's [Feb 2014 Freedom Partners donor summit](#) in Palm Springs, CA. Documents reveal that at the 2014 summit, Schnatter had a [one on one meeting](#) with the Koch Foundation's director of Higher Education, Ryan Stowers.

Ryan Stowers and John Garen are both listed as members of the executive committee of the (Association of Private Enterprise Education) APEE, according to most the organization's most recent [990 tax forms](#).

Free Market Goals of Koch Academic Programs

John Garen discusses Dean Blackwell, describing him as “appreciative of free enterprise,” and “warming up to” the institute. Garen does not disclose that (according to information provided to the faculty) Dean Blackwell is listed first among five immanent hires to the institute.

So I'm fortunate to have a big group with me as well. And I'm also fortunate to have a dean who has been very supportive. He, well of course all deans like the funding. And we're in a College of Business and I guess business school deans are more likely to be appreciative of free enterprise. It's not uniform, but it's been very rewarding. My dean is appreciates free enterprise, it's been very rewarding to see how he's, as we talk more and more about the programming, that we call it our institute what the institute wants to do. You can just see him warming up to it, and say 'oh, yeah this is great.' So it's been very rewarding in that regard.

Garen on the Department of Economics

John Garen discusses the overly “narrow” and overly “technical” focus of the University of Kentucky's Economics Ph.D program, as well as the department's “narrow” and overly technical requirements for tenure track hires:

We've done a bit of having Summer reading groups for graduate students. We have a PhD in economics and as I'm sure you all know, the PhD in economics has become, the training has become very narrow and technical, and sometimes, well, oftentimes, students seem to lose the perspective of understanding about markets.

[...]

Now another big part of what we're doing and this does present a challenge -is we have funds to hire faculty. A lot of regular tenure track or tenured faculty and I have to work with not that I don't like these people, but I am working with the economics department.

And as you can imagine, **the economics department in a research university has some very specific standards about what qualifies a person to be a tenure track or a tenured faculty member, and it can be awfully narrow. And awfully technically oriented. So, and people who are sometimes narrow and technical, sometimes they are economists who think 'oh this is great stuff! Let's go for it! Let's publish it...Econometrica...blah blah blah, blah blah!'**

And depending on the topic, you know, I've kind of shrugged my shoulders and said 'okay, you know, you've got some great new method of moments estimator or something and the application is kind of meaningless and I don't see any way to work that into anything of interest to the social sciences.' So I kind of have to be a bad guy and say, 'well okay, it's technically good, but who cares?' So if you want to hire him with a regular department of economics position...okay. I mean, I have a vote in that, but if we're hiring someone who's also gonna be affiliated with the institute, we need more. We need more. We need to have it speak to our mission. So it's a little-, it's gonna be challenging, I think we're up to it.

So we've done some Summer reading groups for grad students, we're gonna keep doing that. We also have funding for fellowships for graduate students.

John Garen describes faculty interest in funding:

And we have funding for Summer research grants for faculty which is a great thing to get faculty interested and engaged with you. And these are, I would say...we're not overpaying people, but it's an attractive amount of Summer funding for people.

According to the materials provided to UK's faculty, Dr. Aaron Yelowitz is a prospective hire for the new programming. In addition to submitting a letter of support for the center, he also presented at the 2016 APEE meeting, on a panel moderated by John Garen ([APEE 2016 Program](#), pg 25).

Contractually Biased Research and Scholarly Activity

The first two lines of the Proposal for the UK "Institute for the Study of Free Enterprise" contains the following two assertions

History shows that capitalism/free enterprise has been the source of unprecedented prosperity and human flourishing. It is important to discover and understand aspects of capitalism that promote the well-being of society. Understanding the role of governmental/legal/political institutions is important as well. The program will work toward these understandings in an intellectually rigorous way.

The Grant Agreement with the Charles Koch Foundation refers to "the Institute's mission is to discover and understand aspects of free enterprise that promote the well-being of society"

Koch Summits and the Use of Cover Words Like "Well being"

Recordings from within Koch's 2014 donor summit reveal that this language is purposefully being used to change the "framing" of free-market capitalism. Wake Forest University's Dr. Jim Otteson spoke on a panel entitled "Leverage Science and Universities," with Koch foundation officials. He described his "framing" ideas behind his newly announced [multi-million dollar "well-being" initiative](#) as a "game changer." He [described](#) an interaction with "a prominent left wing political scientist":

when I say prominent, he does blogs where he rails against Republicans almost daily like jokes about how bad capitalism is. [...] so we met for a cup of coffee.
[...]

...this is exactly the sort of person that if I had said to him, well what I want to do is, is have reports studying the (inaudible) of capitalism, or even if I had said "economic freedom," this would have been exactly the sort of person who probably would have been leading the charge against it, he would have been leading the protest against it. But when you say, no, what we're interested in is human well-being, what are the elements -- this is not a partisan question. This is not even an ideological question. This is a question about managing government. What are the elements of human well-being (inaudible)? What we do is we enable people from across the political spectrum (inaudible) might want to be part of (inaudible). The framing of that is going to be critical. (Otteson, [session transcript](#), pg 15-17)

BB&T's network of professors who teach Moral Foundations of Capitalism (of which John Garen has been a part since at least 2007). Several professors use a textbook entitled the "[Morality of Capitalism](#)," published by the Atlas Network. On a back page of this text, a remarkably frank message awaits students:

Free Markets Need a Moral Defense: *YOURS*

The Atlas Network has initiated a worldwide moral campaign for free enterprise, starting with honest debates about morality and capitalism in over a dozen languages. Atlas has partnered with the John Templeton Foundation's "Big Questions" program to promote serious discussion and debate about the morality of the free market and has partnered with **Students for Liberty** to bring you **The Morality of Capitalism**, a collection of essays edited by Atlas executive vice president Dr. Tom G. Palmer. Atlas is also sponsoring books, essay contest, and Freedom Schools on the morality of capitalism in over a dozen other languages, with the generous support of the Smith Family Foundation, the John Templeton Foundation, and other sponsors. ([pg 137](#))

According to his CV, John Garen has been the faculty advisor for University of Kentucky **Students for Liberty** since 2009, as well as the adviser for the University of Kentucky Young Americans for Liberty since 2012.

Another panel at the APEE 2016 conference, moderated by the Koch foundation and entitled "[Being an Intellectual Entrepreneur](#)," encouraged Koch funded professors from Alabama, Louisiana, Florida, and West Virginia to describe their success, and how other faculty might follow their activities as a model.

Derek Yonai from Florida Southern College elaborated on how academic programming is designed to recruit for "the liberty movement" (identified as organizations like "FEE, IHS, KIP, KAP," namely the Foundation for Economic Education, Institute for Humane Studies, Koch Internship, and Koch Associate Program). Yonai detailed how he singles out students "who don't fit in," recruiting "foot soldiers" in a "fight for economic freedom." Yonai acknowledged how "some people outsource to **Students for Liberty**" for recruitment.

Dr. George Crowley from Troy University's Manley Johnson Center described how a Koch's donor partnership was able to "take over" curriculum, majors, and hiring at Troy, and how faculty have been using it as "recruitment grounds" for the liberty movement. He highlighted how Troy faculty engage in

Alabama policy “fights,” including an attempt to “bring down the state pension system” and to address the “teacher union’s influence.”

In another panel, Troy’s Steve Miller described getting “more directly involved in state politics,” about to hire their second policy analyst for an office they’ve opened at Troy’s campus in the capital, Montgomery, and how faculty have already had “an audience with the governor’s staff” and with “different groups of legislators.”